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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**OIL AND GAS LEASE**  
(Paid Up Lease, No Surface Use)

This Oil and Gas Lease is made on July 24, 2008, between Pennsylvania Avenue, L.P., A Texas Limited Partnership (hereafter called "Lessor," whether one or more), whose address is 777 Rosedale, Suite 300, Fort Worth, Texas 76104, and **DALE PROPERTY SERVICES, L.L.C.** (hereafter called "Lessee"), whose address is 2100 Ross Avenue, Suite 1870, LB-9, Dallas, Texas 75201.

1. **Grant.** In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases unto Lessee the subsurface only of the following described land (the "Land") in Tarrant County, Texas, for the sole purpose of drilling and operating for and producing oil and gas:

**5.00 acres**, more or less, more particularly described as follows:

2.00 acres, more or less, being Abstract 1444, Tracts 1E9 and 1D2 of the L.W. Simpson Survey, City of White Settlement, Texas, according to that certain plat recorded in Volume 388-55, Page 45, of the Plat Records, Tarrant County, Texas, more particularly described by metes and bounds in Deed Volume 14731, Page 9, Deed Records, Tarrant County, Texas

2.58 acres, more or less being Abstract 1444, Tracts 1E6 and 1E6A of the L.W. Simpson Survey, City of White Settlement, Texas, according to that certain plat recorded in Volume 388-55, Page 45, of the Plat Records, Tarrant County, Texas, more particularly described by metes and bounds in Deed Volume 14731, Page 9, Deed Records, Tarrant County, Texas

.42 acres, more or less being Abstract 1444, Tract 1E of the L.W. Simpson Survey, City of White Settlement, Texas, according to that certain plat recorded in Volume 388-55, Page 45, of the Plat Records, Tarrant County, Texas, more particularly described by metes and bounds in Deed Volume 14731, Page 9, Deed Records, Tarrant County, Texas

2. **Primary Term.** This Lease is for a term of **three** years from this date (called "Primary Term") and as long thereafter as oil or gas is produced in paying quantities from the Land or land pooled therewith.

3. **Minerals Covered.** This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

4. **Royalty.** Lessee shall have a duty to Lessor of utmost good faith and fair dealing to market, gather, transport, dispose of, and sell all oil and gas produced from the Land (including all products extracted therefrom) on Lessor's behalf at the best terms available for Lessor, even if those best terms are available only through a non-affiliate of Lessee. The Lessee shall pay Lessor a royalty of twenty six percent (26%) (the "Specified Interest") of 100% on the

gross volume of any and all oil, gas and/or other hydrocarbons produced, saved and sold from the Land, including but not limited to the following:

(a) On oil and other hydrocarbons (including condensate) which are produced at the well in liquid form by ordinary production methods, the Specified Interest of that produced and saved from the Land, to be treated and delivered free of cost to the credit of Lessor into the pipeline to which wells may be connected or, at Lessor's option, to Lessor. All oil and liquid hydrocarbons shall be measured in tanks situated on the Land, and no liquid meters shall be used for measurement without Lessor's consent. Unless and until Lessor elects to take its production in kind, Lessee may from time to time purchase any royalty oil or liquid hydrocarbons in its possession, paying the market price prevailing in the field where produced on the date the oil is run or sold; or, if there is no posted price in the field, the average price for oil of like grade and gravity prevailing in the general area in which the Land are located.

(b) On gas, including casinghead gas, and other vaporous or gaseous substances produced from the Land:

(1) In case Lessee shall itself (or through an affiliated company or in conjunction with others) use gas in the manufacture of gasoline or other petroleum products, the Specified Interest of the market value at the plant of the gasoline or other petroleum products manufactured or extracted therefrom and which are saved and marketed, after deducting a fair and reasonable cost for extracting or manufacturing the gasoline or other substances, and the Specified Interest of the residue gas sold or used by Lessee in operations not connected with the Land as determined according to paragraph 4(b)(3) below. Prior to the sale or use of gas, Lessee shall install and thereafter use drip, separator or similar equipment on the flowline of each well capable of producing liquid hydrocarbons in commercial quantities, and no deduction for extraction costs shall be made for liquid hydrocarbons recovered through the use of that equipment.

(2) In the event Lessee sells gas for use in the manufacture of gasoline or other petroleum products therefrom, the Specified Interest of the gross proceeds derived from the sale.

(3) In all other cases when gas is sold or used at, on or off the Land (except for gas used for wellsite compression for gas produced from the Land), the Specified Interest of the greater of (a) the market value at the point of delivery or first sale of such gas or (b) the gross proceeds at the point of delivery or first sale received by Lessee for such gas.

(4) Except as provided below, the market value of gas shall be the amount realized by Lessee from the sale thereof, computed at the point of delivery or first sale. Where Lessee (or an affiliated entity) is the purchaser of the gas, the market value shall not be less than the average of the three highest prices paid from time to time for gas of comparable quality by other purchasers in the general area of the Land. Lessee covenants and agrees to use reasonable diligence to obtain the highest possible price available for minerals capable of being produced from the Land, but Lessee shall not be obligated to market gas upon terms unacceptable to Lessee. Lessor has the right, at its sole risk and expense, to receive in kind Lessor's Specified Interest of production from the Land. Lessee shall provide to Lessor a

complete copy of each gas contract covering the sale of Lessor's portion of the gas produced from the Land.

(5) Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the Land or any part of the costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the handling of oil or gas; provided, however, that Lessor's royalty will bear its proportionate share of the actual costs charged to Lessee (not to exceed its proportionate share of a total of \$.15 per MCF for gas produced from the Land) by a third party transporter that is not an affiliate of Lessee to guarantee access to the marketing point in the pipeline currently owned by Energy Transfer, but in no event will Lessor's royalty bear any part of the costs necessary to transport the gas produced from the Land or land pooled therewith to the point of delivery into the Energy Transfer pipeline.

(6) In the event Lessee enters into a gas purchase contract which contains what is commonly referred to as a "take or pay provision" (such provision meaning that the gas purchaser agrees to take delivery of a specified minimum volume or quantity of gas over a specified term at a specified price or to make minimum periodic payments to the producer for gas not taken by the purchaser) and the purchaser under such gas purchase contract makes payment to Lessee by virtue of such purchaser's failure to take delivery of such minimum volume or quantity of gas, then Lessor shall be entitled to the Specified Interest of all such sums paid to Lessee or producer under the "pay" provisions of such gas purchase contract. Such royalty payments shall be due and owing to Lessor within 60 days after the receipt of such payments by Lessee. Any royalty payments made to Lessor under the "pay" obligation of any "take or pay" gas contract shall be applied as a credit toward Lessee's minimum royalty obligation. If the gas purchaser "makes up" such gas within the period called for in the gas contract and Lessee is required to give such purchaser a credit for gas previously paid for but not taken, then Lessor shall not be entitled to royalty on such "make up" gas. If Lessee is not producing any quantities of gas from the Land but is receiving payments under the "pay" portion of such "take or pay" gas purchase contract provision, such payments shall not relieve Lessee of the duty to make shut-in royalty payments if Lessee desires to continue this Lease, but such "take or pay" royalty payments shall be applied as a credit against any shut-in royalty obligation of the Lessee. Lessor shall be a third-party beneficiary of any gas purchase contract and/or transportation agreement entered into between Lessee and any purchaser and/or transporter of Lessor's gas, irrespective of any provision of said contracts to the contrary, and such gas purchase contract and/or transportation agreement will expressly so provide. Further, Lessor shall be entitled to the Specified Interest of the value of any benefits obtained by or granted to Lessee from any gas purchaser and/or transporter for the amendment, modification, extension, alteration, consolidation, transfer, cancellation or settlement of any gas purchase contract and/or transportation agreement.

(7) Any payment of royalty or shut-in gas royalty hereunder paid to Lessor in excess of the amount actually due to Lessor shall nevertheless become the property of Lessor if Lessee does not make written request to Lessor for reimbursement within one year from the date that Lessor received the erroneous payment, it being agreed and expressly understood between the parties hereto that Lessor is not collecting agent for any other royalty

owner under the Land, and a determination of the name, interest ownership and whereabouts of any person entitled to any payment whatsoever under the terms hereof shall be the sole responsibility of Lessee. It is further expressly agreed and understood that: (i) this provision shall in no way diminish the obligation of Lessee to make full and punctual payments of all amounts due to Lessor or to any other person under the terms and provisions of this Lease, and (ii) any overpayments made to Lessor under any provisions of this Lease shall not be entitled to be offset against future amounts payable to parties hereunder.

(8) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 90 days after completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute. Should Lessee fail at any time to pay royalty when due, Lessor may give Lessee written notice of the default, and if the default is not cured within 90 days of the notice of the default, Lessor shall have, in addition to all other remedies, the right to terminate this Lease. The terms of this Lease may not amended by any division order, and the signing of any division order by any mineral owner may not be made a prerequisite to payment of royalty hereunder.

(9) No gas or by-products shall be sold to an affiliate of Lessee without prior written consent of Lessor. As used in this Lease, "affiliate" means any person, firm, or corporation that at the time in question is a subsidiary or parent corporation of Lessor, or any company which has the same parent company as Lessor, or in which Lessor or any affiliate of Lessor owns as much as 25% of any class of the capital stock of Lessor or any affiliate of Lessor.

(10) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all time hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

(11) Lessor shall have the right to audit the accounts and records of Lessee, its successors and assigns, relating to the Land and to its activities under this Lease. Such right may be exercised by Lessor by giving Lessee reasonable notice and such audit shall be conducted only during normal business hours.

5. **Surface Use.** Lessee is prohibited from using the surface of the Land for any purpose (including seismic activities), but Lessee may engage in directional or horizontal drilling activities beneath the Land that are conducted from a surface location on other land. Any

directional or horizontal drilling must penetrate the Land sufficiently below the surface as to not interfere with the present or future use of the surface of the Land for commercial or residential use, and in no event may the directional or horizontal drilling penetrate the Land less than 500 feet below the surface. A directional or horizontal well drilled under this provision shall be considered to be located on the Land.

6. **Shut-in Royalty.** While there is a gas well on acreage pooled with the Land capable of producing gas in paying quantities, but gas is not being sold for a period of 90 consecutive days during which period there are no operations on the Land adequate to maintain this Lease in effect, Lessee shall pay or tender in advance an annual shut-in royalty of \$100.00 per acre from which gas is not being sold. Payment with respect to a well will be due within 90 days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date. This Lease may not be maintained in force solely by the payment of shut-in gas royalty for any one period greater than 24 months, or, from time to time for shorter periods, all of which shall not exceed 24 cumulative months.

7. **Continuous Development.**

(a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land or on acreage pooled therewith, but Lessee has commenced the drilling of a well on a pooled unit that includes the Land, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than 60 days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing of a well in search for or in the endeavor to obtain production of oil or gas.

(b) After the Primary Term, if this Lease is maintained by production or otherwise, it will remain in force as to all acreage and depths as long as there is no lapse of more than 180 days between the completion of one well and the commencement of the actual drilling of another well. If a well has been completed during the Primary Term, the 180 day period for commencing the next well will start at the end of the Primary Term. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue with diligence and in a good and workmanlike manner in a good faith effort to reach the anticipated total depth with no cessation of more than 60 consecutive days. A well will be deemed to have been completed on the date of the release of the drilling rig from the drillsite. The permitted time between wells shall be cumulative so that if a well is commenced after the end of the Primary Term but prior to the date it is required to be commenced, the number of days prior to the date on which the well should have been commenced shall be added to the time permitted for the next well.

(c) If at any time the maximum time for the commencement of the actual drilling of a well expires without the commencement of the well, or upon the expiration of the Primary Term if the Lease is not maintained by continuous drilling, this Lease will terminate except as to the Retained Tract (defined below) surrounding any well that is then producing in paying quantities or deemed to be producing in paying quantities by virtue of payment of shut-in royalties, and as to each Retained Tract, the Lease will then terminate as to all depths below 100 feet below the stratigraphic equivalent of the base of the deepest producing formation on the Retained Tract. The Lease will be treated as a separate lease with respect to each Retained Tract and will continue so long as production in paying quantities continues from the tract. If production from a Retained Tract ceases from any cause, this Lease will terminate as to that tract unless Lessee commences operations for drilling or reworking on the tract within 60 days after the cessation of production, in which case the Lease as to that tract will continue in force as long as the operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in production, so long thereafter as there is production from the tract.

(d) As used in this Lease, the term "horizontal well" means a well that meets the definition of a "horizontal drainhole well" under Statewide Rule 86 of the Railroad Commission of Texas, and a "vertical well" is a well that is not a horizontal well. The land assigned to a well for the purposes of this section is referred to as a "Retained Tract." A Retained Tract for a well may not exceed the minimum size required to obtain a drilling permit under the well density rules adopted by the Railroad Commission of Texas for the field, or if there are no field rules that apply, the Retained Tract shall be limited to the smallest size required to obtain a drilling permit under the statewide well density rules of the Railroad Commission of Texas. A Retained Tract for a vertical well producing from the Barnett Shale formation may equal but not exceed 40 acres. If field rules are established later that permit obtaining a drilling permit with less acreage, a Retained Tract for a vertical well may not exceed the minimum size permitted except for a vertical Barnett Shale well that is producing at the time the new field rules are established. A Retained Tract for a horizontal well may include the minimum acreage specified above for a vertical well plus the additional acreage listed in the tables in Rule 86 (For Fields with a Density Rule of 40 Acres or Less) and must comply with the requirements of Rule 86 for minimum permitted well density, and if the well is producing from the Barnett Shale formation, the acreage of the Retained Tract shall be assigned as if well density for vertical wells is 40 acres or less. Each Retained Tract for a vertical well must be as nearly in the form of a square as is practical with the well in the center of the square and with the sides of each square running in the cardinal directions. Each Retained Tract for a horizontal well must be as near as practical in the form of a rectangle with the horizontal drainhole being as nearly as practical along the center line of the long dimension of the rectangle.

(e) Within 60 days after the last to occur of the expiration of the Primary Term or the continuous drilling program, Lessee must file in the county records and furnish to Lessor a document designating each Retained Tract by metes and bounds and the retained depths thereunder, and releasing all other depths and acreage. A gas well that becomes an oil well will hold only the acreage permitted for an oil well, and Lessee must file a redesignation of the Retained Tract in the Real Property Records of the county where the Land is located. If Lessee fails to file timely a document required by this paragraph after Lessor has provided 30 days prior written notice, then Lessor may do so, and the filing will bind Lessee.

8. **Pooling.** Lessee is hereby granted a limited right to pool or unitize the lands covered by this Lease with other lands, leases, mineral estates or parts thereof for the production of oil and/or gas as provided herein. All of the acreage covered by this Lease shall be included within any pooled unit. Units pooled for gas shall contain no more than 640 acres. Units pooled for oil shall contain no more than the minimum number of acres necessary to obtain the maximum allowable, or if maximum allowable is not able to be calculated, the minimum number of acres permitted for such well under the field rules established by the Railroad Commission of Texas or any other regulatory agency having jurisdiction. In the absence of field rules, a unit pooled for oil shall be no more than 40 acres. Acreage covered by this Lease within a pooled unit shall be considered a Retained Tract under Sections 7(d) and 7(e) above, and the provisions of this Lease that provide for termination of this Lease insofar as the Lease covers depths below producing formations and other provisions relating to Retained Tracts shall apply. Lessee shall file a Declaration of Pooled Unit in the county either before or after the completion of the well. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land covered by this Lease. The entire acreage pooled in the unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this Lease. There shall be allocated to the Land included in the unit that prorated portion of the gas produced from the pooled unit that the number of surface acres of the Land included in the unit bears to the total number of surface acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land. Any unit formed may not be amended without the written consent of Lessor. No part of the Land may be included in a pooled unit unless all of the Land that is not then included in a Retained Tract for a producing well is included in the unit.

9. **Offset Wells.** For purposes of this Lease, an "offsetting well" is a well that is producing oil or gas from adjacent or nearby acreage that is not part of a pooled unit including the Land and is draining the Land. If an offsetting well is completed, Lessee must, within 90 days after the initial production from the offsetting well, commence operations for the drilling of an offset well on the Land and must diligently pursue those operations to the horizon in which the offsetting well is producing, or at the option of Lessee: (i) execute and deliver to Lessor a release in recordable form of the acreage nearest to the offsetting well; or (ii) pay Lessor a monthly royalty equal to the royalty that would be payable under this Lease if the production from the offsetting well had come from the Land. In the event acreage is released pursuant to (i) above, the release will cover a tract of a size and shape that will permit the drilling of a well to the producing formation and the creation of a proration unit surrounding the well in compliance with the field rules for the field in which the offsetting well is located, but if there are no field rules, in compliance with the statewide rules of the Railroad Commission of Texas. A producing well located within 330 feet of the Land will be conclusively presumed to be draining the Land provided the well is not located on lands included within a pooled unit including the Land and provided that the Land is not part of the pooled unit covering production from the same formation as the offsetting well. To the extent such knowledge and information is available and material to Lessee so that it would act on its own behalf, Lessee agrees to give notice to Lessor of the need, if any, to bring a claim or lawsuit against a third party who is draining, damaging, overproducing, unlawfully depleting, or otherwise damaging any reservoir underlying the Land, in a timely fashion so that Lessor may assert Lessor's own claim or lawsuit in a court of appropriate jurisdiction, or before a regulatory agency. Lessee shall give such notice to Lessor within 90 days of the date that Lessee becomes aware of the need to assert such claim or lawsuit.

In this regard, Lessee acknowledges that Lessee is in a superior position to Lessor with respect to information regarding the geology, operations, production and sale of oil and gas and constituent hydrocarbons from the Land and lands adjacent, contiguous or in the vicinity of the Land and particularly with respect to reservoirs not on the Land which may be productive of oil, gas or other hydrocarbons and which underlay the Land. Nothing herein shall preclude Lessor from bringing Lessor's own action, but if Lessor does not receive the notice from Lessee as set forth herein, at Lessor's option, Lessee shall always be deemed to be representing Lessor's royalty share and shall pay same to Lessor from recoveries or payments to Lessor by virtue or on account of the foregoing.

10. **Assignments.** Lessor is granting rights to Lessee that Lessor would not grant to others. Therefore, prior written approval of Lessor is required for any assignment or sublease of this Lease, which approval shall not be unreasonably withheld, with the exception that Lessor hereby consents to the assignment of this Lease by the original Lessee to Chesapeake Exploration Limited Partnership or to its officers and/or directors, provided that no more than an undivided 3% interest in this Lease will be assigned to its officers and/or directors.. All assignments and subleases must require the assignee or sublessee to assume all of Lessee's obligations under this Lease, but Lessee will remain liable for its obligations regardless of any assignment or sublease by it. No assignment or sublease will be effective until a certified copy of the recorded document is furnished to Lessor.

11. **Force Majeure.** Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from complying; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons). This paragraph is, however, in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties. None of the provisions of this paragraph 11 shall ever be or become effective unless Lessee shall, within a reasonable time (not to exceed 90 days in any event) after the occurrence of the claimed event referred to, notify Lessor, in writing, of such occurrence with full particulars thereof.

12. **No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties (including shut-in royalties) payable hereunder will be reduced proportionately. Lessee, at its option, may discharge any tax, mortgage, or other lien on the Land, and in the event Lessee does so, Lessee will have the option of applying the royalties accruing to Lessor toward payment of it.

13. **Notices.** All notices will be deemed given and reports will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, (i) to Lessee at the address shown above in the first



paragraph and (ii) to Lessor at the address shown above in the first paragraph, with a copy to the following party at the address shown:

Pennsylvania Avenue, L.P.

777 Rosedale, Suite 300

Fort Worth, Tx 76104

Attn: General Counsel

Any party may designate a new address by proper notice to the other party or parties.

14. **Attorney's Fees.** In the event that Lessor is required to employ legal counsel for the enforcement of any provision of this Lease and prevails, Lessor will be entitled to recover from Lessee reasonable attorney's fees and expenses incurred by Lessor.

15. **Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its activities, including any work performed on its behalf by contractors, subcontractors, and others, naming Lessor and related individuals and entities designated by Lessor as additional insureds. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of \$5,000,000. Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage at least 15 days before Lessee commences operations on the Land or on land pooled therewith.

16. **Indemnity.** Lessee shall be solely responsible for full compliance with all rules and regulations of the Railroad Commission of Texas, or any other governmental agency, in all of its activities on the Land and especially including the proper plugging of any well that is to be abandoned on the Land, and does hereby indemnify and agree to hold Lessor harmless against any such rules and regulations. LESSEE SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE INDEMNIFIED PARTIES (AS HEREINAFTER DEFINED) FROM ANY AND ALL LIABILITY, LIENS, DEMANDS, JUDGMENTS, SUITS AND CLAIMS OF ANY KIND OR CHARACTER ARISING OUT OF, IN CONNECTION WITH, OR RELATING TO ANY OPERATION OR ACTIVITY CONDUCTED BY LESSEE, OR ITS AGENTS, CONTRACTORS, EMPLOYEES, LICENSEES OR INVITEES, ON OR UNDER THE LAND, INCLUDING BUT NOT LIMITED TO CLAIMS FOR INJURY OR DEATH OF ANY PERSONS OR DAMAGE, LOSS OR DESTRUCTION OF ANY PROPERTY, REAL OR PERSONAL, UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHERWISE. LESSEE FURTHER COVENANTS AND AGREES TO DEFEND ANY SUITS BROUGHT AGAINST ANY OF THE INDEMNIFIED PARTIES ON ACCOUNT OF SAID CLAIMS AND TO PAY ANY JUDGMENTS AGAINST ANY OR ALL OF THE INDEMNIFIED PARTIES RESULTING FROM ANY SUCH SUIT OR SUITS, TOGETHER WITH ALL COSTS AND EXPENSES RELATIVE TO ANY SUCH CLAIMS, INCLUDING BUT NOT LIMITED TO ATTORNEY'S FEES. EACH OF THE INDEMNIFIED PARTIES SHALL HAVE THE RIGHT TO PARTICIPATE IN THE DEFENSE OF ANY SUIT OR

CLAIM IN WHICH THEY (OR ANY OF THEM) MAY BE A PARTY WITHOUT RELIEVING LESSEE OF ITS OBLIGATIONS HEREUNDER. THE FOREGOING INDEMNITY SHALL APPLY WHETHER OR NOT ARISING OUT OF THE JOINT OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY OF LESSOR OR ANY OF THE INDEMNIFIED PARTIES AND SHALL APPLY, WITHOUT LIMITATION, TO ANY LIABILITY IMPOSED UPON ANY OF THE INDEMNIFIED PARTIES AS A RESULT OF ANY THEORY OF STRICT LIABILITY OR ANY OTHER DOCTRINE OF LAW OR EQUITY, PROVIDED THAT THE FOREGOING INDEMNITY SHALL NOT APPLY TO ANY COSTS, EXPENSES, LOSSES OR LIABILITIES INCURRED BY TO THE EXTENT PROXIMATELY CAUSED BY THE GROSS NEGLIGENCE OR WILLFULL MISCONDUCT OF LESSOR. THE FOREGOING INDEMNITY AND ALL OTHER INDEMNITIES OF LESSEE CONTAINED IN THIS LEASE SHALL SURVIVE ANY TERMINATION OF THIS LEASE AND SHALL INURE TO THE BENEFIT OF LESSOR AND EACH OF THE INDEMNIFIED PARTIES. AS USED IN THIS LEASE, THE TERM "INDEMNIFIED PARTIES" REFERS TO LESSOR AND ANY AND ALL EMPLOYEES, AGENTS, TENANTS, INVITEES AND AFFILIATES OF LESSOR. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

17. **Dispute Resolution.** In the event of a dispute under this Lease, the parties agree to attempt to resolve the dispute through good faith mediation to be held in Tarrant County, Texas.

18. **Miscellaneous Provisions.**

(a) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(b) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

(c) Lessee will conduct all of its activities in compliance with the rules of the Railroad Commission of Texas and federal and state environmental laws and regulations. Upon request by Lessor, Lessee shall furnish to Lessor copies of applications to drill, daily drilling reports, well tests, completion reports, plugging records, gas purchase contracts, production reports, and title opinions. Lessor has the right, personally or by representative, at Lessor's risk, of access to the derrick floor to observe all operations on all wells drilled on land with which the Land is pooled. Lessor will have the right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests, and Lessee agrees to furnish Lessor with copies of all logs and surveys taken promptly after taking them. Lessee will divulge to Lessor correct information as requested by Lessor as to each well, the production therefrom, and such technical information as Lessee may acquire. Lessor has the right to be present when wells or tanks are gauged and production metered and has the right to examine all run tickets and to have full information as to production and runs and to receive copies of all run tickets upon request.

(d) The term "production" and "producing" mean production and producing in paying quantities. No obligation of Lessee to pay money under this Lease will be excused or

delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document. Lessee agrees to furnish to Lessor a copy of each title opinion or report obtained by Lessee that covers all or any part of the Land together with a copy of each title curative document obtained by Lessee.

(e) Lessor shall have the right to inspect all records of Lessee relating to this Lease, operations conducted on the Lease, the sale and marketing of production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing.

(f) Lessor hereby retains a security interest in the Royalty Fraction of all (a) oil and gas produced and saved from the Land or lands pooled therewith, under and pursuant to this Lease, and (b) proceeds of sale of such oil and gas and all accounts arising therefrom (the "Collateral"), to secure Lessee's payment of royalties and compliance with the other terms and provisions of this Lease. In addition to any other remedies provided in this Lease, Lessor, as a secured party, may in the event of Lessee's default hereunder, proceed under the Texas Uniform Commercial Code as to the Collateral, in any manner permitted by said Code. In the event of default by Lessee, Lessor shall have the right to take possession of the Collateral, and to receive the proceeds attributable thereto and to hold same as security for Lessee's obligations or to apply it on the amounts owing to Lessor hereunder. The Collateral includes minerals to be financed at the wellhead of the wells and accounts from the sale thereof, and this Lease shall be deemed a financing statement under the Code. The addresses of Lessor, as Secured Party, and Lessee, as Debtor, are as set forth at the beginning of this Lease.

(g) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

Executed on the date first written above.

LESSOR:

**Pennsylvania Avenue, L.P., A Texas Limited Partnership**

By: *Pennsylvania Management LLC*


By: 

Name: *Thomas F. Darden*

Title: *Manager*

LESSEE:

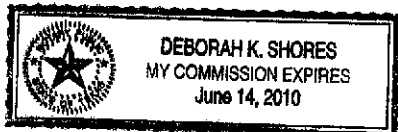
**DALE PROPERTY SERVICES, L.L.C.**

By:   
Name: Mike Taliaferro  
Title: President

THE STATE OF TEXAS                   §

COUNTY OF TARRANT               §

This document was acknowledged before me on July 24, 2008, by Thomas F. Garden, as Manager of Pennsylvania Avenue LP on behalf of said corporation.

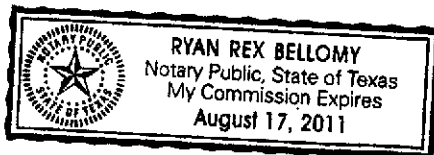


  
Notary Public, State of Texas

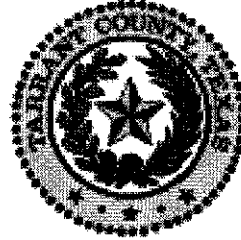
THE STATE OF TEXAS                   §

COUNTY OF TARRANT               §

This document was acknowledged before me on July 29, 2008, by Mike Taliaferro as President of **Dale Property Services, L.L.C.**, a Texas limited liability company, on behalf of the company.



  
Notary Public, State of Texas



DALE RESOURCES  
3000 ALTA MESA BLVD # 300

FT WORTH TX 76133

Submitter: DALE RESOURCES LLC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 08/01/2008 08:50 AM  
Instrument #: D208299804  
LSE 13 PGS \$60.00

By: \_\_\_\_\_



**D208299804**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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